

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00

AGR-20 L-03 H-03 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03

USIA-15 PRS-01 NEAE-00 DRC-01 IGA-02 /144 W

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P R 201115Z SEP 73

FM AMCONSUL KARACHI

TO AMEMBASSY ISLAMABAD PRIORITY

INFO SECSTATE WASHDC PRIORITY 7551

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: TAKE-OVER BY PUNJAB PROVINCIAL GOVERNMENT
OF FERTILIZER DISTRIBUTION

REF: A. ISLAMABAD 7971; B. ISLAMABAD 8032

1. DURING CONVERSATION WITH GEORGE SWEENEY OF ESSO FERTILIZER TODAY, HE INFORMED ME THAT FINAL CLAUSE IN PUNJAB ORDER CONCERNING TAKE-OVER OF FERTILIZER DISTRIBUTION STATES THAT NO PRIVATE ORGANIZATION MAY CONTINUE DISTRIBUTE FERTILIZER AFTER OCTOBER 5 WITHOUT PRIOR APPROVAL OF GOVERNMENT OF PUNJAB. IN BELIEF THAT THIS CLAUSE "LEAVES DOOR OPEN" TO FURTHER ESSO DISTRIBUTION ACTIVITIES IN PUNJAB, SWEENEY NOW APPLYING FOR SUCH APPROVAL ON BASIS OF AGREEMENT COVERING DISTRIBUTION NOW IN FORCE BETWEEN ESSO FERTILIZER AND GOP.

2. SWEENEY ADDED GOVERNMENT OF SIND HAD ALSO BEEN FLIRTING WITH IDEA OF FERTILIZER DISTRIBUTION TAKE-OVER HERE BUT THAT DURING AUGUST HE HAD RECEIVED LETTER FROM SIND GOVERN-
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MENT TO EFFECT THAT INSTRUCTIONS HAD BEEN RECEIVED FROM

CENTRAL GOVERNMENT THAT RIGHT OF DISTRIBUTION THROUGH ESSO'S OWN NETWORK WAS PART OF AGREEMENT BETWEEN ESSO AND GOP AND THAT ESSO WOULD, THEREFORE, BE ALLOWED TO CONTINUE DISTRIBUTION ACTIVITIES IN SIND. SWEENEY HAS SENT COPY SIND GOVERNMENT LETTER TO PUNJAB GOVERNMENT AS PRECEDENT TO BACK UP HIS REQUEST FOR PERMISSION CONTINUE DISTRIBUTE IN PUNJAB.

3. BY WAY OF BACKGROUND SWEENEY SAID 14 PERCENT ESSO FERTILIZER PRODUCTION DISTRIBUTED IN PUNJAB AND REMAINING 86 PERCENT IN SIND. ALTHOUGH SIND GOVERNMENT HAS NOT INTERFERED WITH ESSO DISTRIBUTION ACTIVITIES IN SIND, GOS HAS QUIETLY REFUSED ALLOCATE FERTILIZER IMPORTS TO OTHER PRIVATE SECTOR DISTRIBUTORS HERE, THUS BRINGING THEIR ACTIVITIES TO A HALT.

4. COMMENT: CONGEN AND SWEENEY BOTH FIND TIMING OF PUNJAB GOVERNMENT ANNOUNCEMENT ON TOTAL STATE TRADING IN FERTILIZER, IF INTENDED TO BE APPLICABLE TO U.S. FIRMS, TO BE EXTRAORDINARY AND POSSIBLY UNCOORDINATED WITH CENTRAL GOVERNMENT POLICY, SINCE ACTION TO ABROGATE IMPORTANT PART OF AGREEMENT WITH ESSO COULD RESULT IN HIGHLY UNFAVORABLE REACTION FROM U.S. HOME OFFICE DURING SENSITIVE PERIOD OF BHUTTO VISIT. WOULD SEEM, THEREFORE, THAT LOOPHOLE IN FINAL CLAUSE OF PUNJAB ORDER MAY TURN OUT TO BE A REAL ONE FOR ESSO, IF ONLY AS RESULT OF PRESSURE EXERTED FROM ISLAMABAD ON LAHORE.
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